



Chief Executive Officer's Report

DATE January 28, 2020

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FROM **DEBBY CHERNEY**

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Chief Executive Officer

TO **BOARD OF TRUSTEES**

San Bernardino County Employees'
Retirement Association

SUBJECT **CEO Report – February 6, 2020 Board Meeting**

Administration Updates:

Enclosed with this month's CEO Report is a copy of the directions to the location of our February and March Board meetings and our February 20, 2020 Administrative Committee meeting, while our Boardroom is under construction. Please note, most of the Committee meetings during construction will be held at Children's Fund (with our thanks for the accommodation). Children's Fund is located in suite 110 of our building (348 W. Hospitality Lane, San Bernardino, CA). We will continue to send reminders as we get closer to each meeting.

This week, the Government Finance Officers' Association of the United States and Canada (GFOA) held its winter working meeting in Washington DC. In addition to serving on the Executive Board, I am an *ex officio* member of the Debt Committee; this week, much of our work focused on the phase-out of LIBOR, lobbying on reinstating advanced refundings and raising the cap for small governments to issue certain types of tax-exempt debt, and timeliness of financial reporting disclosures. Amy McInerney was recently appointed to serve on the advisory Committee on Retirement and Benefits Administration, and attended her first meetings this week. Her committee focused on advisories around DROP pension programs, and accounting and actuarial standards and practices. Amy also met with members of the Secret Service to review cybersecurity and financial transactions fraud prevention.

Human Resources & Risk Management (Stacey Barnier):

We are excited to announce that the [Request for Qualifications and Proposals for Property and Casualty Insurance and Broker Services](#) was released on January 27, 2020 with responses due by no later than February 28, 2020 at 5:00 PM. This process is aligned with the strategic pillar of Operational Excellence and Efficiency allowing SBCERA to ensure that we have appropriate insurance coverage levels while also identifying potential cost savings and improving service levels where possible.

The Disability Retirement Benefits Technician position interviews were conducted on January 29, 2020 and we are happy to report that an offer has been extended. The Accounting Manager recruitment opened on January 28, 2020 to internal candidates and will close on February 4, 2020.

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Other Departmental Updates:

Investments (Don Pierce, Chief Investment Officer):

With performance numbers finalized for 2019, the SBCERA portfolio benefited from a number of strategies. First, public equity, both domestic and international equity performed mostly in line with the market. SBCERA also had good performance from infrastructure and MLP assets. Considering the longer term results, the 5 years ending December 2019 I believe held up well all things considered. SBCERA was up 7.1% annualized over the last 5 years which comes in at the 58th percentile in NEPC's universe ranking. More importantly, while we kept up with the median public fund on a return basis, on a risk adjusted basis we were again ranked number 1. For the level of volatility, SBCERA's portfolio demonstrated we generated 370 basis points of annualized Alpha. Alpha measures the difference between the return we achieved versus the return implied by the risk we took. In other words, SBCERA was able to get much more performance out of the assets we hold for the level of volatility. This is important as funds enter into that period of paying out more in benefits than receiving in contributions, cash paid out during a down period is significantly more expensive since there isn't an asset there to share in any recovery. This is why we often talk about cash flow, and how downside hurts you more than upside helps. The asymmetry of loss is what matters.

Fiscal Services (Amy McInerney, Chief Financial Officer):

No report from Fiscal this month.

Member Services and Communications (Colin Bishop, Chief of Member Services):

We're excited to announce that we have promoted Erin Gates to Senior Retirement Specialist. Erin has been with SBCERA for nine years, and came to us with a strong background in the retirement industry. Her professional experience includes time with Levi, Ray & Shoup, Inc. (LRS), the provider of our PensionGold software, and she also worked for a large public retirement system in the Midwest.

We have released our 2020 seminar schedule, and registration is now open for both in-person seminars and online webinars. We are offering 14 pre-retirement seminars this year at various locations around the County, and we're hosting three mid-career seminars, as well. We've also expanded our pre-retirement online webinars from one event last year to three this year in response to popular demand.

SBCERA's brand refresh and website redesign projects are well underway. After an update on each project at last month's Board meeting, we shared both projects internally at a series of all-staff sessions. We're now in the process of our "phased transition" to the new logo and colors, and we anticipate having the brand refresh fully rolled out by spring of this year.

Finally, we are in the early stages of an employer engagement survey that we expect to launch in the coming months. We look forward to receiving detailed feedback from this

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survey so we can better serve our participating employers. In the meantime, we expect to share the results of the member survey with the Board in March.

Legal Services (Barbara Hannah, Chief Counsel):

From December 18, 2019 through January 24, 2020, Legal Services has reviewed and provided advice on 38 Member Services comment sheets; processed four (4) joinder responses; reviewed seven (7) Domestic Relations Orders; reviewed and provided advice on 10 disability retirement applications; and, responded to two (2) public records act request.

Disability Retirement Unit (Barbara Hannah, Chief Counsel):

The Disability Unit has been working diligently to ensure that the DR applications are processed efficiently and prepared for the Board in a timely manner. In December, the DR Unit processed 16 DR Applications, which the Board considered at its January meeting. This month the DR Unit has processed 19 DR Applications, which are now ready for the Board to consider at its February meeting. Through team work, the DR Unit has successfully implemented and streamlined the processing of the DR applications, bringing an efficiency to the processing of DR applications while showing excellent customer service to our SBCERA members.

Information Services (Joe Michael, Chief Information Officer):

Construction has officially started. During the week of February 3, the impacted areas had their furniture removed, and materials began being staged. On February 10 demolition will begin on the first floor. During the first floor renovation both restrooms will be unavailable.

As part of our integration with Microsoft Azure, we now have a private cloud setup which allows us to begin integrating servers into Azure cloud that can be leveraged both onsite as well as when working remotely. This will increase our ability to work collaboratively regardless of staff location.

In preparation of the PG refresh we are building a second PG test environment. Initially the test environment will be used for reviewing and testing the updated version of mySBCERA. Once the website is released into production the new environment will be used for testing changes identified during the refresh project. This will allow us to leave our current test environment in sync with our production environment granting us access to an environment that can be used for testing bug, or emergency hot fixes to our production environment, as well as any normal builds that we receive.

Upcoming Meetings and Educational Training Opportunities:

February 11, 2020	SBCERA Investment Committee (Children's Fund – Suite 110)
February 10-11, 2020	Pension Bridge ESG and Impact Investing (San Diego)
February 11-12, 2020	Institutional Investor Emerging Markets Forum (Los Angeles)
February 20, 2020	SBCERA Administrative Committee (1601 E. 3 rd St, Conference Room 192, San Bernardino)

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March 3-4, 2020	ARES Private Equity Group Annual Meetings (Laguna Niguel)
March 5, 2020	SBCERA Board (1601 E. 3 rd St, Suite 100, San Bernardino)
March 7-10, 2020	CALAPRS General Assembly (Rancho Mirage)
March 10, 2020	SBCERA Investment Committee (Children's Fund – Suite 110)
March 13, 2020	SBCERA Board off-site (16600 Clubhouse Drive, Fontana)
March 19, 2020	SBCERA Administrative Committee (Children's Fund – Suite 110)
March 30 – April 1, 2020	CALAPRS Advanced Principles of Pension (Los Angeles)

Trustees wishing to attend any of the approved upcoming trainings should contact Christa James for travel and registration.